

Public and Private Debt in 1949

IN 1949 there was a further rise in the outstanding volume of public and private indebtedness. Despite the downward adjustment in income and production which took place during the first half of 1949, the debt totals and service charges of private business appear to have remained comparatively low in relation to the level of business activity. Nonfarm businesses, in the aggregate, continued to use a relatively small volume of long-term obligations to finance their investment requirements, and actually lowered their short-term liabilities with the lessened need for external financing to hold a reduced volume of inventories. The largest change in the private debt totals stemmed from the sizeable increase in individual debt represented by residential mortgages and consumer credit. Farm indebtedness also rose. There was a moderate upturn in Federal debt and a continued expansion in State and local government debt.

The expansion of net public and private debt in 1949 was at a lesser rate than in the preceding 2 years. The total amounted to \$442 billion on December 31, 1949—an increase of 2½ percent during the year as compared to increases of 3½ percent in 1948 and 4½ percent in 1947. A summary view of trends in the structure of net debt over the past 34 years is given in chart 1. The major developments in 1949 are depicted in chart 2.

The over-all rise in net debt during 1949—\$11½ billion—was composed of \$4 billion in net public obligations and \$7½ billion in private indebtedness. The increase in net public debt was about evenly divided between the Federal and the State and local governments. The increases represented 1 percent of the total Federal debt outstanding, and 12 percent of State and local government debt.

Within the private sector of the economy, all major components of debt except corporate short-term liabilities increased during the year. At the end of 1949, net private debt aggregated \$206 billion, an amount representing 46½ percent of total net outstandings. This relationship was about the same as in 1948, but may be compared with 35 percent in 1945.

Federal debt turns upward

At the end of December 1949, Federal Government and agency net debt—debt owed by the Federal Government to all economic entities except itself—amounted to \$218½ billion, a rise of \$2 billion for the year. This upturn followed a period of Federal debt reduction which began in February 1946 and carried through April 1949. Because of cash deficits incurred during the first 6 months of 1950, there was a further increase in Federal net debt in this period. On June 30, 1950, the net debt of the Federal Government proper (excluding Federal agencies) aggregated \$219½ billion, an increase of \$1½ billion in 6 months. Complete data for Federal Government agencies for the first half of this year are not yet available.

The year's advance of \$2 billion in the indebtedness of State and local governments was mainly concentrated in the obligations of local governments. It was incurred largely to finance expenditures for highways, school facilities, and public utilities. There was also a small increase in State flotations of World War II veterans' bonus issues.

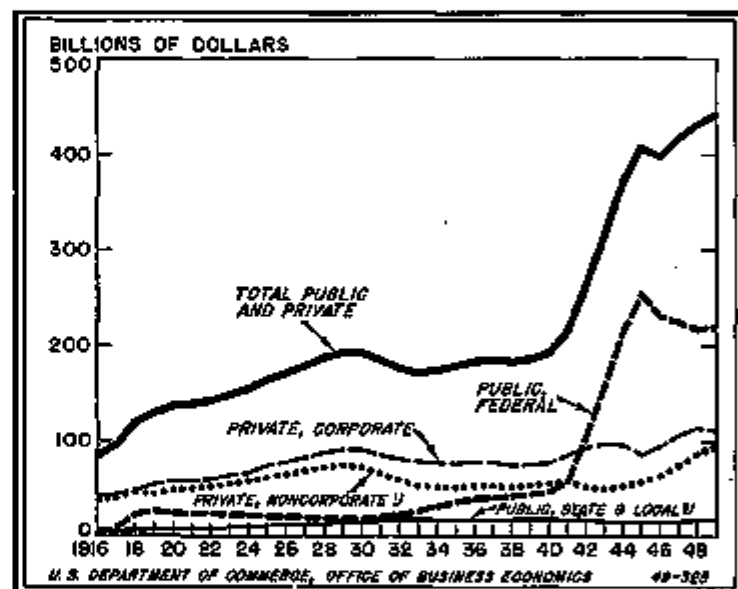
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In aggregate, the 1949 increase in total private debt was of moderate proportion—slightly under 4 percent. However, diversity in movement and rates of change characterized the individual components. This was related to the business adjustment and stabilization following the inflationary influences of the earlier postwar period.

Decrease of corporate debt

The total net debt of business corporations amounted to \$112 billion on December 31, 1949—\$2 billion less than at the end of the previous year. A reduction in corporate short-term liabilities accounted for all of this decrease, offsetting a further rise in long-term indebtedness.

Chart 1.—Net Public and Private Debt, by Major Components, End of Calendar Year



1 Data represent individual and noncorporate private debt.
2 Data are for June 30 of each year.

Source of data: U.S. Department of Commerce, Office of Business Economics, based upon data from various governmental and private agencies.

The 1949 rise in corporate net long-term debt was limited to \$3½ billion in comparison with an increment of nearly \$5 billion in the preceding year. This decreased use of external long-term debt financing reflected chiefly smaller outlays for plant and equipment, which receded slightly from the 1948 high.

Net corporate short-term liabilities, on the other hand, were lowered \$5½ billion during 1949. The explanation of this drop lies mainly in decreased needs for external financing to hold inventories. (A secondary factor was lower reserves for Federal and State income taxes, accompanying the reduction in book profits.) Business corporations cut down their inventory accounts by about \$4½ billion during 1949. In 1948, \$5 billion had been added to inventories (book value) and in 1947, over \$7 billion.

At the end of the year, corporations in the aggregate were in an extremely favorable financial position. Net working

Table 1.—Net Public and Private Debt, End of Calendar Year, 1916-49¹

[Billions of dollars]

End of year	Public and private, total	Public			Private								
		Total	Federal	State and local	Total	Corporate			Individual and noncorporate				
						Total	Long-term	Short-term	Total	Mortgage		Nonmortgage	
										Farm	Nonfarm ²	Farm ³	Nonfarm ³
1916	82.1	5.0	1.2	4.4	76.5	40.2	20.1	11.1	34.3	6.8	8.6	2.0	30.0
1917	94.4	12.0	7.3	4.7	82.4	43.7	20.7	14.0	38.7	6.5	9.4	2.5	30.8
1918	117.4	26.9	20.9	6.0	91.6	47.0	30.2	16.8	44.6	7.1	9.8	2.7	34.0
1919	128.0	30.8	28.0	6.2	97.2	63.3	31.0	22.3	43.0	8.4	10.3	3.0	31.7
1920	135.4	29.6	28.7	5.0	105.8	57.7	32.0	25.1	48.1	10.3	11.0	3.0	32.1
1921	138.8	29.6	28.1	4.6	109.2	57.0	33.8	23.2	49.2	10.7	13.0	3.3	32.9
1922	140.0	30.5	29.8	7.7	109.5	58.6	34.4	24.2	50.9	10.8	14.3	3.1	32.7
1923	140.4	30.0	28.8	8.2	110.4	62.6	36.3	26.4	53.8	10.7	16.6	3.0	32.6
1924	153.1	30.0	28.0	9.0	123.1	67.2	38.5	28.7	56.9	9.9	18.0	2.7	31.4
1925	162.7	30.3	29.3	10.0	132.4	72.7	39.7	33.0	59.7	9.7	21.6	2.8	35.0
1926	169.0	30.9	19.2	10.7	138.1	70.2	41.7	34.5	62.9	9.7	24.4	2.6	36.2
1927	177.5	29.7	19.2	11.5	147.8	81.2	44.4	36.8	66.6	9.8	27.3	2.6	36.9
1928	186.2	29.5	17.6	12.3	158.4	86.1	46.1	40.0	70.3	9.8	30.1	2.7	37.7
1929	191.7	29.7	16.5	13.2	161.5	88.9	47.3	41.6	72.6	9.6	31.7	2.6	38.7
1930	191.4	30.6	16.5	14.1	160.8	89.3	51.1	38.2	71.6	9.4	32.7	2.4	37.1
1931	182.0	34.0	18.5	15.5	148.0	83.5	50.3	33.2	66.1	9.1	31.7	2.0	32.8
1932	175.7	37.9	21.3	16.6	137.8	80.0	49.2	30.8	67.7	8.5	30.1	1.8	31.5
1933	160.7	41.9	24.3	17.6	118.8	76.9	47.8	29.1	61.8	7.7	27.0	1.4	28.2
1934	172.0	40.2	30.4	19.8	129.3	75.3	44.6	30.7	60.8	7.0	26.8	1.3	28.1
1935	175.0	50.5	34.4	16.0	124.4	74.8	43.0	31.8	59.0	7.4	26.1	1.5	28.0
1936	181.4	53.9	37.7	16.2	127.5	76.1	42.5	33.6	61.4	7.2	25.7	1.4	27.1
1937	183.3	53.3	39.2	14.1	127.9	74.6	43.5	31.1	62.1	7.0	25.7	1.4	27.8
1938	180.8	56.6	40.0	16.6	124.8	73.3	44.8	28.5	64.0	6.8	26.0	1.3	28.2
1939	184.5	56.9	42.0	14.9	126.6	73.5	44.4	29.1	62.0	6.0	23.5	1.2	28.8
1940	190.8	61.3	44.8	16.5	129.0	78.0	43.7	34.3	64.0	6.5	27.2	1.6	29.7
1941	212.0	72.6	60.3	12.3	149.0	82.4	43.0	39.4	66.5	6.4	28.4	1.6	30.8
1942	200.7	117.6	101.7	15.9	143.3	81.0	43.7	37.3	61.0	6.0	27.9	1.4	29.7
1943	314.3	108.3	164.4	14.0	144.0	85.0	41.0	44.0	64.0	6.4	27.0	1.4	29.7
1944	371.0	220.9	211.2	14.1	144.7	84.1	39.8	44.3	64.9	6.0	27.0	1.4	29.7
1945	407.2	206.8	203.7	13.7	140.7	85.4	38.3	47.0	65.4	4.7	27.8	1.4	29.6
1946	368.7	243.3	220.7	13.6	155.4	85.5	41.3	44.2	61.8	4.8	33.5	1.6	28.0
1947	410.5	237.7	223.3	14.4	178.8	106.1	46.1	60.0	72.7	4.0	38.0	1.6	29.1
1948	420.8	232.7	210.5	15.2	186.1	113.0	50.9	62.1	84.0	5.1	45.3	1.6	27.7
1949	442.2	246.7	219.0	18.1	205.5	117.0	64.4	52.6	95.8	5.4	41.5	1.4	30.5

¹ Data for State and local governments are for June 30 of each year. Components will not necessarily add to totals because of rounding.

² Data are for noncorporate borrowers only. (See table 6.)

³ Compares non-real-estate farm debt contracted for productive purposes and owed to institutional lenders.

⁴ Compares debt incurred for commercial (nonfarm), financial and consumer purposes, including debt owed by farmers for financial and consumer purposes.

Sources: U. S. Department of Agriculture, Bureau of Agricultural Economics; U. S. Department of Commerce, Bureau of the Census and Office of Business Economics.

Table 2.—Gross Public and Private Debt, End of Calendar Year, 1929-49¹

[Billions of dollars]

End of year	Public and private, total	Public			Private								
		Total	Federal	State and local	Total	Corporate			Individual and noncorporate				
						Total	Long-term	Short-term	Total	Mortgage		Nonmortgage	
										Farm ¹	Nonfarm ²	Farm ³	Nonfarm ³
1929	214.4	34.8	17.5	17.3	170.0	107.0	66.0	50.4	72.0	0.0	31.7	2.0	28.7
1930	214.8	36.8	17.3	19.5	178.0	107.4	61.1	46.3	71.0	0.4	30.7	2.4	27.1
1931	201.0	38.0	19.1	18.9	163.0	100.3	62.1	40.3	63.1	0.1	31.7	2.0	22.3
1932	160.2	42.4	22.8	19.6	117.8	80.1	48.2	31.9	67.7	6.3	30.1	1.6	17.1
1933	191.7	47.5	27.7	19.8	144.2	92.4	57.2	35.2	61.8	7.7	27.0	1.4	18.3
1934	198.4	57.0	37.0	20.2	141.4	90.8	53.2	37.6	60.8	7.0	26.8	1.3	15.1
1935	201.4	61.0	41.7	19.3	140.4	80.8	52.0	28.8	60.0	7.4	30.1	1.4	14.5
1936	207.0	64.7	46.1	18.6	142.3	80.9	58.5	22.4	61.4	7.2	25.7	1.4	17.1
1937	200.5	67.4	47.8	19.6	142.3	80.2	51.6	28.6	62.1	7.0	25.7	1.6	17.8
1938	204.8	67.0	47.4	19.6	137.8	80.5	52.8	27.7	61.0	6.8	25.0	1.2	16.2
1939	208.0	70.1	50.1	20.0	138.8	81.8	53.1	28.7	62.0	6.6	26.3	1.2	16.8
1940	216.8	73.8	53.0	20.8	143.0	80.0	51.3	28.7	64.0	6.5	27.3	1.6	17.7
1941	243.3	80.3	60.0	20.3	163.1	97.5	51.3	46.2	66.5	6.4	28.4	1.6	18.8
1942	300.8	142.0	123.2	19.7	157.0	100.3	50.2	50.1	61.5	6.0	27.0	1.0	14.7
1943	305.1	163.4	163.7	18.7	140.8	110.3	48.4	61.9	49.5	5.4	27.2	1.6	14.1
1944	431.7	271.2	263.7	17.5	160.5	100.0	47.0	53.0	61.5	4.0	27.0	1.6	14.8
1945	461.1	280.2	269.5	14.0	184.0	108.5	47.3	61.2	65.4	4.7	27.8	1.6	20.5
1946	488.1	272.1	272.1	15.0	211.1	100.3	48.4	51.9	61.3	4.6	33.4	1.6	20.0
1947	484.1	284.0	268.8	15.2	215.3	100.8	55.0	45.8	72.7	4.9	30.0	1.6	24.4
1948	494.9	270.7	268.0	16.7	216.9	123.7	67.0	56.7	81.0	5.1	40.3	1.6	27.7
1949	512.0	288.0	280.1	20.9	225.0	131.8	65.2	66.6	93.8	5.4	41.5	1.4	30.5

¹ Data for State and local government debt are for June 30 of each year. Components will not necessarily add to totals because of rounding.

² Data are for noncorporate borrowers only. (See table 6.)

³ Compares non-real-estate farm debt contracted for productive purposes and owed to institutional lenders.

⁴ Compares debt incurred for commercial (nonfarm), financial and consumer purposes, including debt owed by farmers for financial and consumer purposes.

Sources: U. S. Department of Agriculture, Bureau of Agricultural Economics; U. S. Department of Commerce, Bureau of the Census and Office of Business Economics.

capital had increased and there was a marked improvement in liquidity ratios.

Nonfarm mortgage expansion continues

In 1949, as in the preceding 2 years, the largest absolute increase of any major private debt category was recorded in the noncorporate (nonfarm) mortgage area. The rise in 1949 was \$5.2 billion, in comparison with expansions averaging \$5.2 billion in the three preceding years. The steady postwar increase in this form of debt carried the total from \$28 billion at the end of 1945 to \$51½ billion at the close of last year.

The volume of new construction activity in the areas covered by this type of indebtedness was essentially stable from 1948 to 1949. This accounted for the somewhat lower net addition to mortgages outstanding during 1949. However, factors tending to enlarge the rate of growth were operative, such as a liberalization of credit policies on the part of private lending institutions and Government insuring agencies. Other possible expansive influences may have been a higher rate of turn-over of existing structures, and a lower volume of mortgage repayments in excess of contractual obligations.

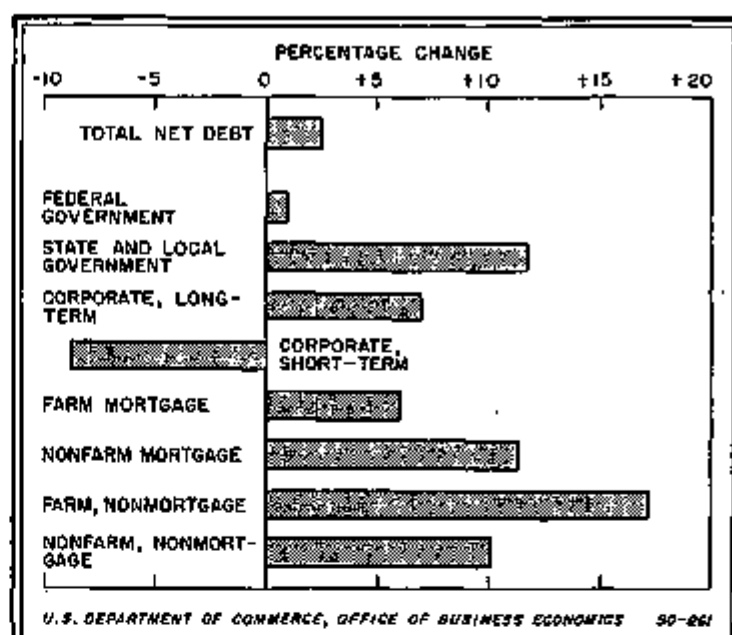
Under the terms of the Defense Production Act of 1950, the President has been given control powers in the mortgage market for new construction. As noted in the review of the business situation earlier in this issue, the comprehensive regulations have recently been announced.

Farm debt rise accelerated

Farm mortgage debt continued to expand during 1949, at a rate higher than in the 1946-48 period. As further evidence of the upward movement, every State showed an increase in 1949, whereas in the immediately preceding years, the increase in the total had been the result of divergent geographic experience.

In spite of last year's contraction in agricultural income, there was no indication of a significant rise in the number of defaulted loans. However, lower 1949 incomes were prob-

Chart 2.—Percentage Changes in Net Public and Private Debt, 1948 to 1949¹



¹ Percentage changes are based upon data for end of calendar year except for State and local government, which are for June 30.

Source of data: U. S. Department of Commerce, Office of Business Economics.

ably the primary cause of the lower volume of turn-over in farm land. Farm sales at increasing prices had contributed to the increase in outstanding mortgage debt in earlier postwar years. In 1949, a decreased number of these sales at lower prices must have had a dampening effect on the new mortgage level. Considering the stable volume of mortgages made or recorded, the rise in outstandings in 1949, at a quickening pace, must have been primarily caused by lower dollar amounts of mortgage repayments.

Table 3.—Gross and Net Federal Government Debt, End of Calendar Year, 1929-49
(Billions of dollars)

End of year	Gross debt							Duplicating debt							Net debt		
	Federal Government and Federal agency, total	Federal Government				Federal agency ²	Federal Government and Federal agency, total	Federal Government securities held by Federal agencies and trust funds	Federal agency securities ³				Federal Government and Federal agency, total	Federal Government	Federal agency		
		Total	Interest bearing						Non-interest bearing ¹	Total	Held by U. S. Treasury	Held in Federal trust funds				Held by other Federal agencies	
			Total	Public issues	Special issues												
1929	17,537	10,301	16,029	16,401	028	272	1,228	1,030	028	111	104	7	16,488	16,373	1,115		
1930	17,303	10,020	15,774	14,903	781	283	1,277	814	704	110	104	6	16,480	15,222	1,157		
1931	19,073	17,826	17,625	17,135	303	206	1,247	049	063	190	105	1	18,464	17,323	1,141		
1932	22,830	20,806	20,448	20,007	361	267	2,033	1,628	011	917	105	2	21,305	20,194	1,111		
1933	27,710	23,815	23,450	23,070	371	265	3,901	3,465	063	2,512	2,340	100	24,251	23,592	1,380		
1934	37,830	28,480	27,944	27,380	538	635	5,378	2,470	2,840	4,030	3,285	100	30,380	29,610	1,740		
1935	41,654	30,667	29,808	29,008	728	661	11,047	2,340	1,731	5,515	4,095	100	34,408	33,628	1,882		
1936	45,000	34,403	32,699	33,007	632	707	10,034	2,300	2,528	4,808	3,695	66	37,004	36,278	1,814		
1937	47,844	37,280	35,715	34,488	2,227	671	10,553	3,808	3,800	4,808	3,610	40	41,152	40,340	1,812		
1938	47,427	39,439	38,911	36,755	3,155	528	7,908	6,004	4,000	1,014	788	44	40,533	39,419	1,084		
1939	40,113	41,001	41,455	37,254	4,231	496	8,153	7,481	5,105	1,515	101	44	43,032	42,396	636		
1940	43,669	45,090	44,472	39,102	5,370	683	8,796	8,796	7,345	1,410	90	44	44,813	43,694	1,119		
1941	68,980	58,080	57,593	50,561	6,032	487	10,970	12,700	8,240	3,457	1,278	43	50,284	48,771	1,513		
1942	123,212	108,170	107,338	99,270	9,062	869	15,042	21,616	11,225	6,058	3,193	43	101,006	96,242	4,764		
1943	180,846	165,878	164,808	151,303	12,703	1,370	20,783	32,229	15,503	15,726	7,848	83	154,437	149,375	5,062		
1944	270,004	230,430	228,804	212,305	10,320	1,730	23,004	41,905	21,672	20,133	11,404	(4)	8,430	211,880	208,068		
1945	202,000	278,115	275,604	256,000	20,000	2,421	14,485	30,557	27,041	12,815	11,775	(4)	1,041	262,743	251,074		
1946	272,147	238,149	237,640	228,004	24,785	1,690	12,908	42,308	30,913	11,455	10,603	(4)	792	229,740	228,230		
1947	269,793	297,000	296,501	278,270	28,065	2,405	12,553	40,435	34,302	12,083	11,840	(4)	243	223,318	222,488		
1948	277,004	292,800	290,680	278,900	31,714	2,220	5,194	41,510	37,517	4,100	3,903	(4)	240	276,484	275,453		
1949	290,067	287,130	285,019	271,120	33,899	2,111	8,937	47,463	38,340	8,137	7,304	(4)	833	278,564	277,734		
1950 (June 30)	(4)	287,337	285,900	272,803	32,390	2,148	(4)	(4)	37,530	(4)	6,423	(4)	(4)	276,427	(4)		

¹ Includes matured debt on which interest has ceased.

² Bonds, debentures, and notes payable, including securities held by the U. S. Treasury.

³ Bonds, debentures, and notes payable.

⁴ Less than \$100,000.

⁵ Not available.

Source: U. S. Treasury Department.

Table 4.—Gross and Net State and Local Government Debt, June 30, 1929-49

(Millions of dollars)

End of fiscal year	Gross debt							Duplicating debt ¹						Net debt			
	State and local, total ²	State	Local					State and local, total	State			Local			State and local, total	State	Local
			Total	County	City and township	School district	Special district		Total	Sinking funds	Trust, etc., funds	Total	Sinking funds	Trust, etc., funds			
1929	17,234	2,500	14,734	2,270	9,268	1,885	1,440	4,004	714	259	486	3,280	2,824	456	13,170	1,885	11,285
1930	18,459	2,444	16,015	2,424	9,020	2,008	1,554	4,340	782	285	487	3,558	3,040	518	14,118	1,902	12,217
1931	19,634	2,090	17,544	2,504	10,495	2,210	1,038	4,008	800	297	510	3,202	2,576	626	14,820	1,800	13,020
1932	19,878	2,806	17,072	3,531	10,342	2,178	1,031	3,961	876	303	573	2,085	1,411	674	16,615	2,020	14,595
1933	19,802	2,018	17,784	2,404	10,403	2,117	1,716	3,078	922	310	653	2,126	1,400	726	16,724	2,066	14,658
1934	19,186	3,291	15,895	2,457	9,651	2,039	1,733	3,215	1,037	335	702	2,178	1,391	787	15,941	2,164	13,777
1935	19,352	3,331	16,021	3,420	9,725	2,000	1,606	3,297	1,009	351	748	2,168	1,380	818	16,045	2,232	13,813
1936	19,607	3,318	16,289	3,382	10,031	1,943	1,944	3,388	1,165	357	796	2,223	1,371	855	16,220	2,163	14,057
1937	19,694	3,275	16,419	3,345	10,047	1,894	2,022	3,483	1,234	383	851	2,248	1,300	948	16,111	2,042	14,069
1938	19,478	3,309	16,169	2,282	9,823	1,808	2,202	3,001	1,313	412	901	2,288	1,305	983	15,075	1,996	13,079
1939	19,990	3,345	16,645	2,219	10,215	1,837	2,282	3,082	1,308	380	873	2,515	1,372	841	16,344	1,974	14,370
1940	20,210	3,525	16,685	2,109	10,159	1,813	2,563	3,785	1,433	503	1,079	2,852	1,380	1,062	16,401	2,038	14,363
1941	20,226	3,415	16,811	2,040	10,219	1,787	2,710	3,889	1,583	600	1,243	2,380	1,345	978	16,337	1,900	14,437
1942	19,690	3,211	16,479	1,840	10,079	1,701	2,858	3,847	1,541	270	1,245	2,300	1,344	956	15,843	1,670	14,173
1943	18,002	3,506	14,496	1,654	9,784	1,573	2,792	3,210	1,576	265	1,270	2,234	1,402	832	14,682	1,333	13,349
1944	17,471	3,768	13,703	1,694	8,820	1,463	2,718	2,987	1,804	247	1,104	2,040	1,142	904	14,074	1,417	12,657
1945	16,889	3,638	13,251	1,545	8,489	1,385	2,667	2,584	1,040	175	871	1,618	950	858	13,725	1,370	12,355
1946	15,922	3,525	12,397	1,417	8,207	1,253	2,597	2,240	754	141	613	1,305	850	720	13,073	1,504	11,569
1947	16,825	3,978	12,847	1,481	8,276	1,323	2,728	2,428	804	144	650	1,024	850	704	14,397	1,174	13,223
1948	18,702	3,722	14,980	1,408	8,135	1,480	3,077	2,476	804	164	697	1,025	847	778	16,220	2,571	13,649
1949	20,876	4,024	16,852	1,003	9,804	2,147	3,395	2,730	970	181	818	1,780	868	888	18,149	3,055	15,094

¹ Includes State loans to local units.² Compares State and local government securities held by State and local governments.

Source: U. S. Department of Commerce, Bureau of the Census and Office of Business Economics.

Non-real-estate credit to farmers and farmers' cooperative organizations (labeled "Farm nonmortgage" in the tables) also underwent a sharp increase in the year ending December 31, 1949. However, in examining this component of the net debt total, it is advisable to separate Commodity Credit Corporation loans and guarantees, which are not debt in the usual sense. The loans are nonrecourse in form and arise from price-support activity of the Government. The transaction is essentially a sale when the loan is not redeemed.

Excluding CCC loans and guarantees, farm non-real-estate credit totaled \$4½ billion on December 31, 1949, about 13 percent above the amount outstanding a year earlier. The increase in the three prior years had averaged about 20 percent. The diminished rate of increase in farm nonmortgage credit may indicate that farm demand for capital equipment and other improvements has been restricted by reduced incomes. However, there may have been, also, an increased use of farm mortgage loans to finance equipment expenditures and to refund existing short-term credit.

Noncorporate business and individual borrowings for commercial, financial and consumer purposes increased during 1949 to a total of \$30½ billion at the end of the year. The year's advance of nearly \$3 billion was less than that recorded in 1947 and 1948, in both absolute and percentage terms. Within this major category, there were again divergent movements.

Noncorporate commercial debt reduced

Business decisions to reduce inventories had been a major factor in the 1949 adjustment. In the noncorporate, nonfarm, sector there was a drop of nearly \$1½ billion in inventory book values. Reduced requirements for credit to hold inventories account for the downturn in the commercial (nonfarm) category (table 7). This series represents only commercial and industrial loans by banks to noncorporate business enterprises. Trade payables carried on the books of noncorporate business firms are not included because of the lack of basic data; however, available evidence indicates an even greater contraction in that category than in bank loans.

Expansion of security loans

As part of the general program to ease credit restrictions early in 1949, the Federal Reserve Board relaxed the market controls imposed in Regulations T and U, which relate to the use of credit to purchase or carry securities. Margin requirements on listed stocks were reduced from 75 to 50 percent. There followed a moderate increase in bank and brokers' loans for this purpose. At the end of 1949, these loans amounted to \$3½ billion—up more than \$½ billion from December 31, 1948, but still at a relatively low level.

Policy loans and premium notes against life insurance cash values also expanded during the year, but maintained a low ratio to total policy reserves. The increase was not such as to evidence a growing amount of distress borrowing. This series includes only loans by life insurance carriers and is included under the "financial" category in table 7, together with the security credit mentioned above.

Consumers' debt rises

Consumer debt—the remaining segment of noncorporate business and individual debt—is related to such factors as the amount of current income, the preceding debt level, existing inventories of consumers' goods, the volume of liquid assets, and anticipated income and price movements. Also, there is a long-term growth factor resulting from price changes, population increase, and lessening social pressures against the incurrence of indebtedness. The major factor contributing to the further growth of consumer credit during 1949, as in previous postwar years, was undoubtedly the expanding flow of durable goods to consumers.

On December 31, 1949, total consumer credit amounted to nearly \$19 billion, up \$2½ billion from the end of 1948. This total represented 10 percent of the year's disposable personal income (personal income after personal taxes and other payments to Government), compared to 8.7 percent at the end of 1948. By the end of June 1950, consumer credit had advanced to \$19.7 billion, but the relationship to disposable personal income remained stable at 10 percent. As may be seen in chart 3, where this is shown graphically,

total consumer credit in June did not seem to be unusually high (the relationship was well over 10 percent in six of the prewar years—1936 through 1941). This was especially true if the long-term growth trend is taken into account.

Installment credit, the most volatile component of the consumer credit total, was still below the immediate prewar relationship to income in June 1950, but had risen very sharply in the preceding 6 months. Pursuant to the Defense Production Act of 1950, regulation of installment credit was reimposed. Under the provisions of Regulation W, the Federal Reserve Board resumed its control of this form of credit on September 18, 1950.

Debt and interest payments

The foregoing discussion has been confined to a description of recent major changes in the debt structure. Table 2 traces the growth in gross public and private debt over the past 20 years. Particularly noteworthy is that the expansion in total debt—from \$214 billion in 1929 to \$513 billion at the end of 1949—was not accompanied by a similar rise in gross interest payments. Interest payments were \$13 billion in 1929 and \$14½ billion in 1949. (See table 37, SUPPLEMENT TO SURVEY OF CURRENT BUSINESS, July 1947, and table 37, SURVEY, July 1950.) The computed average rates of interest are 6.0 percent for 1929 and 2.8 percent for 1949. Because of lack of complete comparability between the debt and interest series, these percentages are subject to some error, but the fact of a halving of interest rates in this period has been of major significance in investment and in the comparative ability to carry debt.

Primarily responsible for this drop was the general decline in market interest rates. The changed composition of gross debt between 1929 and 1949—in particular the substantially higher proportion of public debt—was a contributing factor, but of much less importance.

Revised Series

Estimates for 1916 through 1935 as published in this article are identical with those presented in the October 1949 Survey. Estimates for 1936 through 1948, as published in the October 1949 Survey, have been revised in the present article because of revisions in the Bureau of Agricultural Economics series for non-real-estate debt of farmers and farmers' cooperative organizations (1936-48), and the incorporation of other basic data, particularly for the corporate business sector, for more recent years.

The statistical bases for the present estimates are in general similar to those used in the past. These have been explained in articles in the September 1945 and July 1944 issues of the Survey and in the special bulletin, "Indebtedness in the United States, 1929-41" (Department of Commerce, Economic Series No. 21, U. S. Government Printing Office, 1942).¹ In the September 1946 and September 1947 articles modifications of former procedures were noted.

Gross and net debt concepts

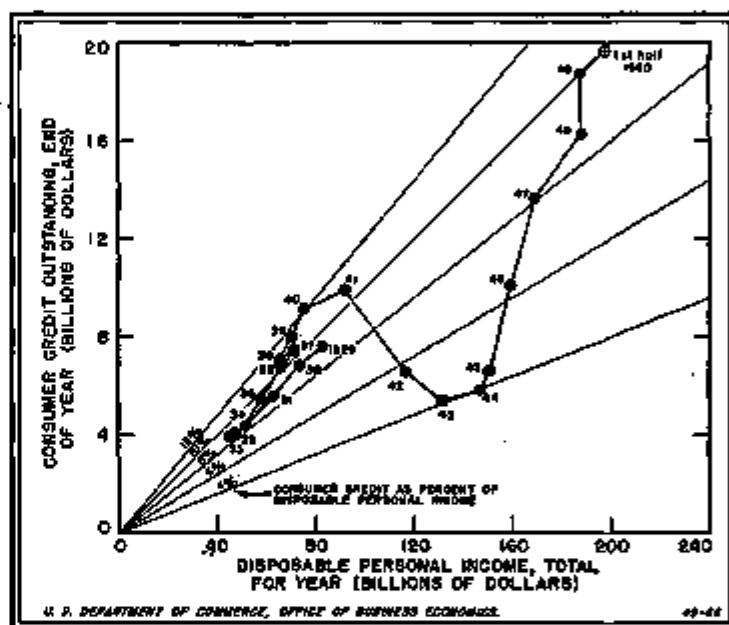
Net public and private debt outstanding is a comprehensive aggregate of the indebtedness of borrowers after elimination of certain types of duplicating governmental and corporate debt. This measure of indebtedness provides a more significant indication of trends in the debt structure than does gross debt, since the effects of nominal changes in financial practices and organization are largely removed.

To obtain net figures, gross debt is adjusted for specific types of duplications pertaining to the following sectors of

the economy: (1) the Federal Government and its corporations and agencies generally; (2) State and local governments, which are treated as a single entity; and (3) within the corporate area, those affiliated but legally distinct corporations which operate under a single management. In the noncorporate private area, data are gross throughout with no adjustments for duplications.

The net debt concept, then, depends upon the definitions employed in measuring gross and duplicating debt. Gross debt, as defined in this study, consists of all classes of legal indebtedness except the following: (1) the deposit liability of banks and the amount of bank notes in circulation; (2) the value of outstanding policies and annuities of life insurance carriers; (3) the short-term debts among individuals and unincorporated nonfinancial business firms; and (4) the nominal debt of corporations, such as bonds which are authorized but unissued, or outstanding but reacquired.

Chart 3.—Consumer Credit Related to Disposable Personal Income¹



¹ Data plotted for first half of 1950 are as follows: consumer credit outstanding, June 1950; disposable personal income, first two quarters of 1950, seasonally adjusted, at annual rate.

Sources of data: Consumer credit, Board of Governors of the Federal Reserve System; disposable personal income, U. S. Department of Commerce, Office of Business Economics.

Duplicating debt may best be described with reference to the sectors mentioned above. Within the Federal Government and its corporations and agencies, duplicating debt consists of Federal holdings of Federal obligations. Within the State and local government area, State and local government securities held in sinking, trust, or investment funds by either the issuer or other entities within the sector are considered duplicating debt and eliminated. In the private corporate area, duplicating debt is defined as owed to other members of an affiliated system.

Thus, to arrive at net debt, each sector except the noncorporate is adjusted to a net basis by certain consolidations within the sector. A summation of the consolidated estimates for each sector yields the total for net public and private debt.

The net debt concept for each of the four sectors can be summarized as follows: Federal Government net debt is that owed to all other sectors of the economy except the Federal Government proper and its corporations and agencies; State and local government net debt is that owed to all other economic entities except State and local governments;

¹ Copies of this bulletin are available from the Superintendent of Documents, Government Printing Office, Washington 25, D. C.; price, 15 cents.

Table 5.—Gross and Net Corporate Debt, End of Calendar Year, 1929-49

(Millions of dollars)

End of year	All corporations				Railway corporations					Nonrailway corporations					
	Total	Long-term ¹	Short-term ¹		Total	Long-term ¹	Short-term ¹		Total	Long-term ¹	Short-term ¹				
			Total	Notes and accounts payable			Other	Total			Notes and accounts payable	Other	Total	Notes and accounts payable	Other
Gross Corporate Debt															
1929	107,043	50,825	50,418	35,438	14,882	10,077	14,890	1,807	725	972	98,966	42,246	48,721	34,711	14,610
1930	107,425	51,080	46,339	32,279	14,060	10,350	14,710	1,034	635	979	98,075	40,370	44,705	33,024	13,681
1931	100,330	50,074	40,302	25,761	11,540	10,358	14,763	1,570	700	879	90,072	38,696	38,048	28,048	10,000
1932	90,110	58,702	37,348	23,259	12,050	10,419	14,863	1,807	980	881	79,801	43,910	35,781	24,003	11,178
1933	92,873	57,161	36,312	23,827	11,385	10,487	14,798	1,600	900	909	75,990	42,302	33,553	23,137	10,416
1934	90,019	53,101	37,422	25,909	11,513	16,410	14,682	1,728	685	1,042	74,203	38,509	35,094	25,124	10,870
1935	88,766	51,854	37,831	23,932	11,879	16,397	14,840	1,857	682	1,106	73,389	37,414	36,874	25,200	10,714
1936	98,670	50,863	40,107	27,088	13,019	16,680	14,689	2,077	683	1,384	74,204	36,874	38,330	26,405	11,025
1937	90,210	51,609	38,710	24,573	13,137	16,635	14,508	2,127	632	1,495	73,581	36,588	39,583	24,041	11,042
1938	86,770	52,646	32,930	21,037	12,509	16,777	14,485	2,282	629	1,663	70,002	35,351	31,881	20,008	10,053
1939	88,607	52,113	34,664	22,107	12,527	16,904	14,475	2,489	623	1,806	69,843	37,638	32,206	21,534	10,671
1940	88,066	51,233	37,133	22,717	12,010	17,170	14,544	2,636	600	2,126	71,706	36,850	38,107	22,217	12,509
1941	87,613	51,246	46,298	26,150	10,162	17,305	14,388	2,920	620	2,391	80,235	36,857	43,375	26,657	17,761
1942	106,331	50,150	54,104	26,033	30,134	17,064	13,059	3,701	684	3,117	88,047	39,162	62,405	28,448	27,017
1943	110,516	48,354	62,162	26,515	35,646	18,131	13,301	4,740	808	3,972	92,385	34,953	57,322	25,400	31,773
1944	105,080	47,018	61,068	26,688	35,670	17,921	12,025	4,500	880	3,787	91,705	34,293	57,372	26,058	31,313
1945	102,523	45,321	54,202	25,718	38,484	16,411	11,374	3,537	891	2,656	84,112	33,447	60,005	24,837	25,828
1946	108,292	46,435	68,867	31,007	37,850	16,190	10,577	2,837	700	3,038	95,578	37,558	58,020	26,805	27,152
1947	124,822	64,086	69,536	33,666	34,160	14,173	11,109	3,004	904	2,100	110,600	48,610	68,831	34,703	32,009
1948	133,692	60,807	72,820	37,135	36,690	13,800	11,124	2,872	872	2,000	119,000	49,743	69,903	36,203	33,000
1949	131,171	59,103	66,908	34,730	32,378	13,829	11,348	2,475	776	1,700	117,048	53,915	64,133	32,005	31,178
Duplicating Corporate Debt															
1929	18,142	0,278	5,804	5,375	2,850	1,072	375	107	101	06	17,070	5,403	6,667	0,175	2,493
1930	18,166	10,010	3,153	0,731	2,431	1,025	830	105	92	103	17,143	0,185	7,857	5,020	2,323
1931	10,828	0,771	7,067	0,082	1,084	1,013	821	102	00	00	10,056	0,960	0,875	0,084	1,891
1932	10,095	0,571	6,524	4,490	2,075	1,071	877	104	00	06	10,024	0,004	0,330	4,355	1,977
1933	15,430	0,203	6,144	4,180	1,964	1,108	900	308	07	111	14,328	0,308	5,690	4,083	1,842
1934	15,100	0,580	0,639	4,638	1,001	1,137	900	218	00	122	13,982	7,071	5,311	4,442	1,800
1935	14,072	0,000	0,000	4,500	2,031	1,169	082	235	07	129	12,824	0,000	6,304	4,469	1,805
1936	14,807	7,044	0,002	4,618	2,216	1,329	007	250	00	169	13,585	0,977	5,806	4,623	2,050
1937	14,418	7,003	0,420	4,283	2,137	1,213	1,045	287	88	179	12,101	0,048	5,153	4,105	1,008
1938	13,488	8,004	5,481	3,531	1,950	1,245	1,055	390	88	282	12,143	0,949	5,104	3,448	1,748
1939	13,202	7,747	5,416	3,678	1,830	1,278	1,003	310	88	225	11,884	0,095	5,100	2,888	1,011
1940	13,300	7,680	4,810	3,780	2,030	1,443	1,112	331	70	801	11,947	0,468	5,470	3,710	1,760
1941	14,100	7,031	0,469	4,380	2,139	1,484	1,130	265	74	281	12,610	0,602	0,114	4,572	1,842
1942	14,822	7,408	7,181	4,323	2,801	1,487	1,115	372	81	291	13,105	0,388	5,812	4,243	2,570
1943	14,797	7,314	7,483	4,362	3,121	1,588	1,147	411	130	201	13,280	0,167	7,072	4,248	2,830
1944	14,857	7,185	7,671	4,400	3,212	1,610	1,110	391	110	276	13,347	0,067	7,299	4,343	2,937
1945	14,231	6,900	7,232	4,204	3,028	1,485	1,000	304	121	203	12,746	0,800	5,845	4,140	2,701
1946	15,754	7,002	3,692	5,298	3,405	1,807	1,047	340	111	220	14,047	0,325	5,325	5,142	3,177
1947	18,719	8,002	9,517	5,820	3,697	1,490	1,172	337	120	201	17,228	7,730	5,400	6,794	3,040
1948	20,132	0,060	10,182	0,100	3,082	1,490	1,306	291	121	179	18,030	8,775	9,861	6,042	3,610
1949	20,150	10,718	9,438	5,004	3,837	1,840	1,325	364	106	180	18,847	0,403	9,174	5,403	3,681
Net Corporate Debt															
1929	88,981	47,347	41,654	20,161	12,303	16,006	13,505	1,500	674	870	73,890	33,843	40,054	28,537	11,517
1930	89,257	47,070	38,187	20,538	11,649	16,325	13,889	1,436	543	870	73,023	32,194	38,746	28,005	10,753
1931	83,408	46,803	33,105	23,671	0,834	15,345	13,061	1,384	607	777	68,163	30,342	31,811	23,003	8,747
1932	80,915	46,191	30,824	20,540	0,084	14,248	13,975	1,373	690	783	64,667	30,240	29,461	20,200	8,261
1933	76,937	47,800	29,068	19,637	0,421	15,349	13,908	1,441	603	858	61,688	33,071	27,617	19,044	8,573
1934	75,604	44,011	30,803	21,271	0,822	15,283	13,772	1,510	689	091	60,291	30,838	28,293	20,683	8,704
1935	74,708	43,802	31,231	21,358	0,845	15,229	13,009	1,021	584	1,020	60,684	30,084	28,418	20,701	8,810
1936	76,008	42,810	33,544	22,440	11,104	16,444	13,022	1,322	587	1,238	60,610	28,897	31,723	24,803	9,808
1937	76,803	43,813	22,280	21,200	11,000	16,293	13,403	1,890	644	1,310	60,490	30,060	30,430	20,746	9,694
1938	73,201	44,842	28,449	18,003	10,438	15,429	13,440	1,082	641	1,481	57,839	31,402	28,457	17,523	8,908
1939	72,644	44,308	29,170	18,401	10,088	15,686	13,413	2,173	615	1,028	57,950	30,963	27,006	17,040	9,008
1940	76,676	43,653	31,223	19,937	12,080	15,737	13,432	2,286	430	1,805	60,848	30,221	28,628	18,807	11,121
1941	83,443	43,814	39,529	21,810	16,019	16,836	13,280	2,656	485	2,110	67,618	30,856	37,304	21,385	14,009
1942	81,040	42,807	48,982	21,700	27,273	16,197	12,808	3,389	803	2,826	75,452	29,790	45,053	21,208	24,447
1943	85,510	41,040	54,479	21,050	33,429	16,573	12,244	4,329	768	3,581	78,046	28,706	50,160	21,298	26,842
1944	94,120	39,832	54,287	22,420	31,867	14,711	11,500	4,205	723	3,482	78,418	28,320	50,092	21,718	28,376
1945	85,292	38,222	46,970	21,454	25,516	13,926	10,775	3,151	757	2,394	71,366	27,647	43,819	20,607	23,122
1946	93,638	41,343	52,106	26,784	25,322	12,907	10,410	2,497	688	1,809	80,031	30,933	49,098	25,723	23,973
1947	105,104	46,080	60,015	29,746	30,273	12,674	9,907	2,777	778	1,800	93,426	38,696	67,341	28,988	28,373
1948	110,666	40,887	69,779	31,704	38,075	12,500	9,919	2,581	761	1,830	104,000	40,069	60,002	30,218	29,874
1949	111,616	54,445	57,170	28,129	29,041	13,334	10,128	2,911	607	1,644	90,281	44,322	54,660	27,462	27,497

¹ Long-term debt is defined as having an original maturity of 1 year or more from date of issue; short-term debt as having an original maturity of less than 1 year.

Sources: U. S. Treasury Department, Bureau of Internal Revenue; Interstate Commerce Commission; U. S. Department of Commerce, Office of Business Economics.

Table 6.—Nonfarm Mortgage Debt by Lender Groups, End of Calendar Year, 1929-49¹

(Millions of dollars)

End of year	Residential and commercial			1-4 family residential							Multifamily residential and commercial				
	Total	Corporations ²	Noncorporate	Total	Savings and loan associations	Life insurance carriers	Mutual savings banks	Commercial banks	F.O.L.C.	Individuals and others	Total	Life insurance carriers	Mutual savings banks	Commercial banks	Individuals and others
1929	37,390	5,083	32,307	10,481	4,807	1,020	2,288	1,062	—	7,100	17,845	3,875	3,401	(?)	(?)
1930	35,374	5,722	29,652	10,615	4,402	1,782	2,341	1,040	—	7,300	18,750	3,704	3,557	(?)	(?)
1931	37,383	5,082	32,301	10,012	5,800	1,776	2,438	1,812	—	7,100	18,370	3,808	3,610	(?)	(?)
1932	35,580	5,392	30,188	17,872	5,148	1,734	2,440	1,054	—	0,000	17,008	3,741	3,401	(?)	(?)
1933	31,807	4,289	27,518	16,743	4,437	1,380	2,354	1,021	193	0,700	16,004	3,455	3,338	(?)	(?)
1934	30,885	4,049	26,836	16,958	3,710	1,378	2,100	1,200	2,379	0,100	15,907	3,219	3,132	(?)	(?)
1935	30,800	3,775	27,025	16,541	3,203	1,281	2,080	1,281	2,807	0,000	15,056	2,980	2,900	(?)	(?)
1936	29,403	3,750	25,653	16,090	3,237	1,245	2,082	1,303	2,703	0,000	15,303	2,916	2,819	(?)	(?)
1937	26,488	3,772	22,716	16,837	3,420	1,248	2,111	1,472	2,306	0,183	12,001	3,080	2,755	(?)	(?)
1938	26,738	3,872	22,866	17,073	3,555	1,320	2,110	1,580	2,109	0,310	12,000	3,235	2,684	(?)	(?)
1939	30,314	3,969	26,345	17,638	3,758	1,490	2,128	1,754	2,036	0,440	12,700	3,202	2,055	1,265	4,870
1940	31,205	4,050	27,155	18,400	4,084	1,758	2,102	1,930	1,956	0,510	12,855	3,303	2,025	1,013	4,770
1941	32,407	4,971	27,436	19,400	4,652	1,970	2,180	2,315	1,777	0,800	13,007	3,541	2,612	2,067	4,800
1942	31,007	4,037	26,970	19,210	4,656	2,253	2,128	2,303	1,567	0,300	12,088	3,503	2,404	2,024	4,820
1943	30,004	3,829	26,175	18,781	4,584	2,410	2,033	2,516	1,338	0,100	12,213	3,444	2,383	1,993	4,738
1944	30,703	3,782	26,921	18,778	4,700	2,443	1,037	2,293	1,004	0,200	12,014	3,418	2,351	1,742	4,644
1945	31,084	3,912	27,172	19,208	5,370	2,380	1,804	2,428	852	0,400	12,470	3,002	2,300	1,673	4,502
1946	32,074	4,580	27,494	23,580	7,140	2,700	2,033	2,580	0,000	7,000	14,400	3,700	2,300	1,923	4,745
1947	45,248	6,374	38,874	38,500	8,854	3,450	2,237	4,093	480	8,350	10,078	4,321	2,601	3,011	6,125
1948	53,615	6,150	47,465	53,441	10,305	4,925	2,400	4,700	380	9,410	18,061	4,011	3,031	4,510	6,700
1949	53,352	6,855	46,497	57,251	11,000	5,970	3,100	6,100	231	10,160	21,101	6,787	3,478	4,036	7,200

¹ The data represent mortgage loans on commercial and residential property, and exclude real estate mortgage bonds. Multifamily and commercial property mortgages owned by corporations and held by other nonfinancial corporations are also excluded.

² The corporate mortgage debt total is included in the total corporate long-term debt outstanding, table 5.

³ Not available.

Sources: Federal Savings and Loan Insurance Corporation; U. S. Department of Commerce, Office of Business Economics.

Table 7.—Individual and Noncorporate Debt, End of Calendar Year, 1929-49

(Millions of dollars)

End of year	Farm and non farm total	Farm			Non farm							
		Total farm	Farm mortgage ¹	Farm non-mortgage ²	Total nonfarm	Nonfarm mortgage			Other			
						Total	1-4 family	Multifamily and commercial	Total	Commercial (nonfarm)	Financial ³	Consumer
1929	73,531	12,218	0,033	2,587	60,333	31,053	18,607	12,100	28,050	(?)	(?)	7,028
1930	71,652	11,770	0,308	2,381	59,780	32,651	18,034	14,017	27,135	(?)	(?)	6,321
1931	65,070	11,007	0,004	1,973	54,069	31,731	18,002	13,000	22,278	(?)	(?)	5,518
1932	47,728	10,102	8,468	1,030	47,436	30,148	16,078	12,170	17,488	(?)	(?)	4,085
1933	31,633	8,086	7,068	1,401	42,749	27,578	15,006	11,072	16,171	(?)	(?)	3,912
1934	30,705	8,806	7,684	1,314	41,237	20,840	15,110	10,700	15,081	(?)	(?)	4,380
1935	30,043	8,085	7,423	1,032	41,688	20,124	15,125	10,125	15,564	(?)	(?)	5,434
1936	31,413	8,683	7,154	1,420	42,830	26,737	15,840	9,881	17,083	(?)	(?)	6,788
1937	32,193	8,686	6,656	2,042	43,605	26,710	15,890	9,730	17,780	(?)	(?)	7,480
1938	31,634	8,972	6,778	2,103	42,062	26,804	16,210	9,449	16,201	(?)	(?)	7,047
1939	31,907	8,634	6,680	2,208	43,103	20,325	10,728	9,607	16,908	3,029	5,811	7,900
1940	33,078	9,104	6,401	2,013	44,574	27,196	17,490	9,716	17,079	3,494	5,070	8,116
1941	35,606	9,236	6,372	2,804	47,372	28,436	18,430	10,000	18,806	4,129	4,845	9,882
1942	31,631	8,921	5,051	2,970	43,010	27,870	18,288	9,612	11,740	3,351	4,906	6,070
1943	40,492	8,204	5,390	2,815	41,318	27,165	17,842	9,323	14,083	3,168	5,637	5,370
1944	31,535	7,737	4,033	2,604	45,708	27,010	17,830	9,171	10,788	3,227	7,788	5,883
1945	35,490	7,172	4,082	2,400	48,248	27,773	18,248	9,525	20,470	3,012	9,827	6,037
1946	64,825	7,632	4,777	2,755	61,293	33,885	22,391	10,007	23,005	6,123	8,502	10,191
1947	72,052	8,428	4,822	3,645	64,224	30,874	27,142	12,732	24,380	6,106	4,577	12,073
1948	84,540	10,413	5,109	5,605	73,900	46,253	31,778	14,475	27,083	6,388	4,940	10,210
1949	93,843	11,842	5,413	5,440	91,991	61,407	32,388	18,100	30,484	5,018	5,787	18,770

¹ Includes regular mortgages, purchase-money mortgages, and sales contracts.

² Includes agricultural loans to farmers and farmers' cooperatives by institutional lenders; farmers' financial and consumer debt is included under the "nonfarm" categories.

³ Comprises debt owed to banks for purchasing of existing securities, customers' debt to brokers, and debt owed to life insurance companies by policy holders.

⁴ Not available.

Sources: U. S. Department of Agriculture, Bureau of Agricultural Economics; Board of Governors of the Federal Reserve System; U. S. Department of Commerce, Office of Business Economics.

corporate net debt is that owed to all other entities (including corporations) except to corporate members of an affiliated system; and private noncorporate net (or gross) debt is the summation of all forms of legal indebtedness except

that among individuals and unincorporated nonfinancial business firms. Data showing adjustments for duplication involved in passing from gross to net debt are given in detail in tables 3, 4, and 5.